

# Social Security Talk

Committee on Ways and Means  
Subcommittee on Social Security  
Rep. E. Clay Shaw, Chairman

## Introduction

Talking to constituents about Social Security, its past and present success and its future financial challenges, is a vital but often difficult thing to do.

The Ways and Means Social Security Subcommittee is issuing this newsletter in order to provide Members and their staffs with information we hope will be useful

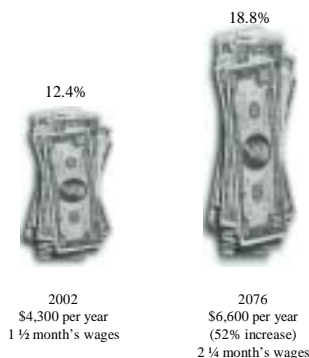
in answering your constituent's questions as well as rebutting distortions and factually incorrect statements.

## Social Security's Financial Challenge

Social Security faces serious cash shortfalls in the future. The reason is demographic trends. Modern medicine is helping people to live longer, healthier lives than we ever imagined. Also, women are having fewer children.

The combination of longer life expectancy and birth rate declines will result in fewer workers to support each retiree in the future. In 1945, there were 42 workers supporting each retiree. Today, there are a little more than 3 workers per retiree, and in the next 30 years, there will be only 2 workers per retiree.

Payroll Taxes Increase Over 50% Under "Do Nothing" Plan



Two workers cannot support each retiree at today's payroll tax rates (12.4% of a worker's wages). If we do nothing, tax receipts will be insufficient to pay full benefits by 2017, and Social Security will start redeeming Treasury IOUs in the trust funds.

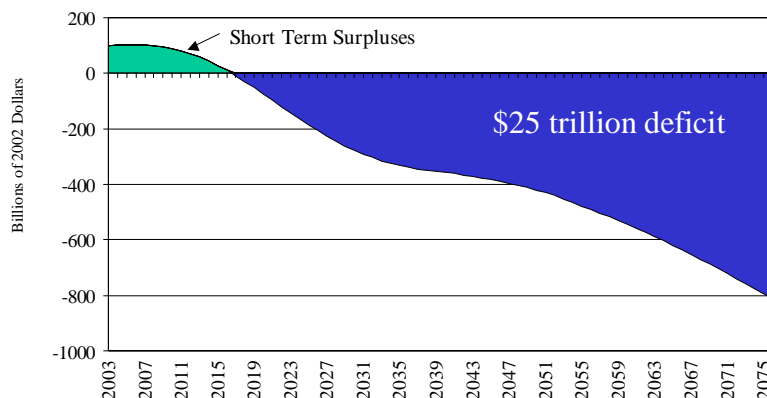
These IOUs will be exhausted by 2041, and Social Security's income after that point will only cover three fourths, dropping to two-thirds of benefits. To continue paying full

benefits, we would have to eventually increase payroll taxes by over 50%.

The total cash deficit between 2017 and 2076 is \$25 trillion (in today's dollars). To put this in perspective, if \$1.00 equals one second, then the deficit equals almost 800,000 years.

This disaster can be avoided if we act soon to strengthen Social Security.

If We Do Nothing, Cash Flow Deficit Starts in 2017



## Keeping the Record Straight

**Myth:** Republicans voted to privatize Social Security.

**Fact:** Republicans voted against Rep. Filner's amendment to HR 2590 (Vote 273, July 25, 2001), which prohibited the use of funds to implement recommendations of the bipartisan President's Commission. Rep. Filner offered this amendment before the Commission had either developed or published its recommendations.

**Myth:** Republicans want to *privatize* Social Security

**Fact:** The Federal pension system (Thrift Savings Plan) allows employees (including Members of Congress) to invest in stocks and bond funds, yet no Member of Congress would describe their plan as "privatized." The fact is, no plan with personal accounts would end the entitlement to benefits or hand the

administration of Social Security over to an outside company.

**Myth:** Republicans are looting the trust funds to pay for the tax cut and the war on terrorism.

**Response:** By law, funds not needed to pay benefits are invested in interest-bearing Treasury securities. That means two things: 1) there is no cash in the trust funds to loot, and 2) Social Security will be paid what it is due."

## Why Social Security is Important

### ...To All Americans

Social Security protects virtually all workers and their families. About 97% of workers aged 20-49 contributing to Social Security in 2001 have survivor protection for their young children and spouses.

Almost 2 out of 3 of seniors rely on Social Security to provide at least half of their income, and 1 out of 5 seniors rely on it for 100% of their income.

Without Social Security, almost half of seniors would live in poverty.

### ...To Women

Nearly 6 out of 10 seniors receiving Social Security are women, and more than 7 out of 10 persons age 85 or older receiving Social Security are women.

About 3 out of 4 senior women rely on Social Security to provide at least half of their income, and about 1 out of 4 women rely on it for 100% of their income.

Without Social Security, more than 1 out of 2 senior women would live in poverty.

### ...To Minorities

More than 1 out of 5 children and about 1 out of 6 disabled workers receiving Social Security are African American.

Around 8 out of 10 senior African Americans and Hispanics rely on Social Security to provide at least half of their income. More than 4 out of 10 senior African Americans and Hispanics rely on it for 100% of their income.

Without Social Security, roughly 6 out of 10 African Americans and Hispanics would live in poverty.

## Options to Strengthen Social Security

Approaches for strengthening Social Security fall into two basic categories: "traditional" reforms (i.e. tax increases or benefit cuts), and personal accounts.

Lawmakers have tried the "traditional" approach of tax increases and benefit cuts in the past, with the most recent major reform in 1983, but it hasn't worked.

Payroll taxes already equal about 1 ½ months of wages for most full-time workers. Households in the

bottom 80% of the income distribution pay twice as much in payroll taxes as in income taxes. Increasing this tax burden would leave them with less money for themselves and their families. The majority of seniors rely on Social Security for most of their retirement income, and cutting benefits could drive many vulnerable seniors into poverty.

#### Personal accounts allow:

- Voluntary participation- nobody is forced to invest,
- Personal choice and control,

- Ownership,
- Ability to pass wealth to heirs,
- Women to receive equal share of account in case of divorce,
- A better deal on payroll contributions for our kids and grandkids.

#### Personal accounts protect by:

- Minimizing or eliminating investment risk through minimum benefit or guaranteed full benefits,
- Preserving disability and survivors benefits.

## Social Security Information Resources

Committee on Ways and Means  
[www.waysandmeans.house.gov/fullcomm/107cong/ssresourcekit/ssresourcekit.htm](http://www.waysandmeans.house.gov/fullcomm/107cong/ssresourcekit/ssresourcekit.htm)

Rep. Shaw's website  
[www.house.gov/shaw](http://www.house.gov/shaw)

Soc. Sec. Admin. [www.ssa.gov](http://www.ssa.gov)

Congressional Research Service  
[www.congress.gov/brbk/html/ebssc1.shtmlssresourcekit.htm](http://www.congress.gov/brbk/html/ebssc1.shtmlssresourcekit.htm)